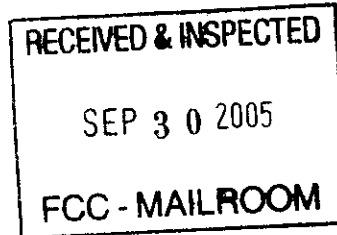




# Oregon

Theodore R. Kulongoski, Governor



Public Utility Commission

550 Capitol Street NE, Suite 215

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## Consumer Services

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Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room TW-A306  
Washington, DC 20554

Karen Majcher  
Universal Service Administrative Company  
2000 L Street, NW, Suite 200  
Washington, DC 20036

RE: CC Docket No. 96-45  
Annual State Certification of Eligible Telecommunications Carriers  
Annual Certification of Non-Rural ILEC Basic Rates in Rural Service Areas

Enclosed is Order No. 05-1049 of the Public Utility Commission of Oregon (OPUC) issued pursuant to the annual certification requirements of 47 C.F.R. § 54.314 and 47 C.F.R. § 54.316.

Pursuant to the requirements of 47 C.F.R. § 54.314, Exhibit A in Appendix A to OPUC Order No. 05-1049 lists the eligible telecommunications carriers (ETCs) authorized to receive federal universal service (USF) high cost support in Oregon. Exhibit B in Appendix A provides the affidavit that ETCs filed with the OPUC attesting to their use of federal USF high cost support.

Pursuant to the requirements of 47 C.F.R. § 54.316, Exhibit C in Appendix A to OPUC Order No. 05-1049 displays the basic service rates charged by non-rural incumbent local exchange carriers (ILECs) in their rural Oregon service territories. As all of the rates listed are below the nationwide urban benchmark, they are presumed reasonably comparable to urban rates nationwide under the “safe harbor” provision.

Please address any questions to Dave Booth of the OPUC Staff at (503) 378-6635.

Phil Heywood

Phil Nyegaard  
Utility Program Administrator  
Telecommunications Division

Enclosure

cc (letter only): UM 873 ETC List

1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 26

RECEIVED & INSPECTED

SEP 30 2005

FCC - MAILROOM

ORDER NO. 05-1049

ENTERED SEP 27 2005

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 873

In the Matter of )  
 )  
ELIGIBLE TELECOMMUNICATIONS )  
CARRIERS )  
 )  
Annual certification for continued eligibility )  
to receive federal universal service fund high )  
cost support pursuant to 47 CFR §54.314; )  
and annual certification of non-rural ILEC )  
basic service rates pursuant to 47 CFR )  
§54.316. )

ORDER

**DISPOSITION: ELIGIBLE TELECOMMUNICATIONS CARRIERS  
CERTIFIED TO RECEIVE FEDERAL UNIVERSAL  
SERVICE HIGH COST FUND SUPPORT; AND**

**BASIC SERVICE RATES CHARGED BY NON-  
RURAL LOCAL EXCHANGE CARRIERS IN RURAL  
AREAS CERTIFIED TO BE COMPARABLE TO A  
NATIONAL URBAN BENCHMARK**

**ELIGIBLE TELECOMMUNICATIONS CARRIERS**

Section 214 (e)(2) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the Act), provides that a state commission shall designate those common carriers eligible to receive universal service support in accordance with Section 254 of the Act. Section 254 (e) of the Act provides, in part, as follows:

(e) Universal Service Support.—After the date on which Commission regulations implementing this section take effect, only an eligible telecommunications carrier designated under section 214(e) shall be eligible to receive specific Federal universal service support.

At the Oregon Public Utility Commission's (Commission) December 2, 1997, Public Meeting, we designated 32 local exchange carriers (ILECs) as eligible for federal USF support. Our decision was memorialized in Order No. 97-481. On June 24, 2004, the Commission issued Order Nos. 04-355 and 04-356, which designated two Commercial Mobile Radio Service (CMRS) carriers, RCC Minnesota, Inc., and United

States Cellular Corporation (US Cellular), respectively, as authorized to receive federal USF support. On August 29, 2005, the Commission issued Order No. 05-965 designating a third CMRS carrier, Edge Wireless, LLC, as a carrier authorized to receive federal USF support.

Pursuant to 47 CFR §54.314 [66 FR 30088, June 5, 2001],<sup>1</sup> subsection (a), a state that desires eligible telecommunications carriers within its jurisdiction to receive federal universal service support must file an annual Certification with the USF Administrator and the FCC “stating that all federal high-cost support provided to such carriers within the state will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.” 47 CFR §54.314, subsection (c), sets the requirements for the format of the Certification.

In compliance with those federal requirements, the Commission certified the eligibility of Oregon’s rural local exchange companies at public meetings in 2001 (Order No. 01-819), 2002 (Order No. 02-605), 2003 (Order No. 03-551) and 2004 (Order o. 04-532). This Order addresses eligibility certification for 2005.

In response to requests from the Commission staff (Staff), 35 Oregon Eligible Telecommunications Carriers (ETCs), including 32 rural companies and three CMRS carriers, filed signed and sworn affidavits attesting to the use of federal USF support in compliance with the FCC rule. In addition to the submission of affidavits, two cellular ETCs, RCC Minnesota, Inc., and US Cellular Corporation, filed for the first time specific reports that were required by their initial designation Orders.<sup>2</sup> We addressed the certification matter at our Public Meeting on September 13, 2005, and adopted Staff’s recommendation to certify the responding telecommunications carriers. The Staff Report, which includes a list of the 35 carriers, is attached to this Order as Appendix A.

## **RURAL TO URBAN BASIC SERVICE RATE COMPARABILITY**

On October 27, 2003, the FCC issued Order No. 03-249<sup>3</sup> adopting 47 CFR §54.316, which, at subsection (a), requires each state to annually review the comparability of residential rates in rural areas served by non-rural incumbent local exchange carriers (ILECs) to urban rates nationwide, and to certify to the USF Administrator and the FCC as to whether the rates are reasonably comparable. This determination is made by comparing basic service rates charged by non-rural ILECs in their rural service areas to a national average benchmark for urban basic service rates as calculated by the FCC.

In compliance with this federal requirement, Staff conducted an analysis of the basic service rates charged by Oregon’s non-rural ILECs, Qwest and Verizon, in

<sup>1</sup> See FCC Order No. 01-157, released May 23, 2001.

<sup>2</sup> See Order No. 04-355 in docket UM 1083, pp. 16-18, and Order No. 04-356 in docket UM 1084, pp. 16-17.

<sup>3</sup> *In the Matter of Federal-State Joint Board on Universal Service*, Order on Remand, FNPRM and MO&O, CC Docket 96-45 (released October 27, 2003).

their rural service territories. Staff's analysis indicates that in many rural exchanges, Qwest and Verizon charge basic service rates below the current national average urban benchmark of \$24.31 as calculated by the FCC. In all cases, basic service rates charged by Qwest and Verizon in rural exchanges are significantly below the FCC's current "safe harbor" rate of \$34.21 per line per month.

We addressed the rural to urban basic service rate comparability matter at our Public Meeting on September 13, 2005, and adopted Staff's recommendation to certify that the basic service rates charged by Oregon's non-rural ILECs in their rural service areas are comparable to basic service rates charged in urban areas. A summary of basic service rates charged by Qwest and Verizon in each rural Oregon county where they provide service is set forth in Exhibit C to Appendix A. Detailed information regarding the analysis of basic service rates as discussed in Staff's Report, appears in Exhibits D and E.

### **CONCLUSIONS**

The telecommunications carriers, listed in Exhibit A of the Staff Report, are qualified for annual certification as telecommunications carriers eligible to receive federal universal service high cost support. The basic service rates charged by non-rural ILECs in their rural service areas are certified to be comparable to urban rates.

**ORDER**

IT IS ORDERED that:

1. The rural telecommunications carriers listed in Exhibit A to the Staff Report are designated as telecommunications carriers eligible to receive federal universal service support pursuant to 47 CFR §54.314; and
2. We certify that the basic service rates charged by non-rural ILECs in their rural service areas, as summarized in Exhibit C of the Staff Report, are reasonably comparable to urban basic service rates nationwide pursuant to 47 CFR §54.316.

Made, entered, and effective SEP 27 2005.

  
**Lee Beyer**  
Chairman

  
**John Savage**  
Commissioner



  
**Ray Baum**  
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. 3

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 13, 2005**

REGULAR   X   CONSENT        EFFECTIVE DATE                      N/A                     

DATE: September 6, 2005

TO: Public Utility Commission

FROM: Kay Marinos <sup>KM</sup>

THROUGH: <sup>in</sup> Lee Sparling, <sup>PA</sup> Phil Nyegaard and <sup>OB</sup> Dave Booth

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: (Docket No. UM 873) Annual certification for continued eligibility to receive federal universal service fund high cost support pursuant to 47 C.F.R. § 54.314; and annual certification of non-rural ILEC basic service rates pursuant to 47 C.F.R. § 54.316.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission:

1. Certify that the rural incumbent local exchange carriers (rural ILECs) and the competitive eligible telecommunications carriers (CETCs), listed in Exhibit A to this report, are authorized to receive federal Universal Service Fund (USF) high cost support pursuant to 47 C.F.R. § 54.314; and
2. Certify that the basic service rates charged by non-rural ILECs in their rural service areas, as summarized in Exhibit C to this report, are reasonably comparable to urban basic service rates nationwide pursuant to 47 C.F.R. § 54.316.

**DISCUSSION:**

A. Certification of Rural ILECs and CETCs

Section 214(e)(2) of the Telecommunications Act of 1996 (Act) authorizes state public utility commissions to designate telecommunications carriers eligible to receive federal USF high cost support. The Commission first exercised this authority in December 1997 when it designated Oregon's ILECs as eligible

telecommunications carriers (ETCs).<sup>1</sup> In June of 2004 the Commission designated two wireless carriers operating in the service areas of rural ILECs as CETCs authorized to receive federal USF high cost support.<sup>2</sup> In August of 2005 the Commission designated a third wireless carrier operating in the service areas of rural ILECs as a CETC.<sup>3</sup>

Section 54.314 of the FCC rules requires state public utility commissions to annually certify that rural ILECs, and CETCs operating in the service areas of rural ILECs, are using their federal USF support in compliance with Section 254(e) of the Act. That section of the Act requires that federal USF high cost support be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended. The Commission must provide this annual certification to the FCC and the Universal Service Administrative Company (USAC) by October 1st of each year in order for the ETCs to continue receiving high cost support.

In Oregon and numerous other states, this annual certification is achieved by requiring the corporate officers of rural ILECs and CETCs to provide a sworn affidavit attesting to their use of federal USF high cost funds. The Commission has used this process to certify the eligibility of Oregon's rural ILECs every year since 2001.<sup>4</sup> On July 15 of this year, Staff mailed an affidavit to each of the rural ILECs and CETCs listed in Exhibit A. Each responded with a signed and notarized affidavit which will be added to the record in this docket. A sample affidavit of the type used for the 2005 certification process is attached as Exhibit B to this report.

In addition to the submission of affidavits, two CETCs -- RCC Minnesota, Inc. (RCC) and US Cellular Corporation (USCC) -- filed for the first time specific reports that were required by their initial designation orders.<sup>5</sup> The reports were intended to ensure that the carriers followed through on commitments they made

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<sup>1</sup> See Order No. 97-481, Docket UM 873.

<sup>2</sup> See Order No. 04-355 in Docket UM 1083 designating RCC Minnesota, Inc., and Order No. 04-356 in Docket UM 1084 designating US Cellular Corporation.

<sup>3</sup> See Order No. 05-965 in Docket UM 1177 designating Edge Wireless, LLC.

<sup>4</sup> See PUC Orders 01-819, 02-605, 03-551 and 04-532 in Docket UM 873.

<sup>5</sup> See Order No. 04-355, pages 16-18, in Docket UM 1083 and Order No. 04-356, pages 16-17, in UM 1084.

to the Commission when granted designation. Each carrier filed its report on July 15, 2005. Staff followed up with data requests to each carrier on August 11, 2005.

Staff believes that each carrier has demonstrated through its filed annual report and responses to Staff's data requests, that it has met its commitments for designation and the requirements for recertification. As required, both USCC and RCC have reported year-end line counts, the amounts of federal universal service support received during 2004 and projected for 2005, documentation of advertising, progress related to wireless internet service enhancements, the number of service quality complaints, and other information regarding service in areas within the designated service areas, but outside the wireless licensed boundaries. Most importantly, the reports demonstrate that USCC and RCC have used the support funds they received in 2004 for projects approved at their designation. In addition, they have provided detailed information regarding how they will use the support funds that they expect to receive in 2005.

Although Staff is recommending USCC and RCC for annual certification, there are a few issues that Staff would like to bring to the Commission's attention. As part of its recertification review process, Staff consulted with managers of the Consumer Services Division and the Oregon Telephone Assistance Program (OTAP) to determine if RCC and USCC have been meeting their consumer and low-income obligations. Staff uncovered some compliance issues related to OTAP reporting and timeliness in giving consumers their OTAP benefits. Upon identification of these problems, RCC committed to work with the PUC and is now in compliance. USCC is currently working with Staff to resolve compliance issues. In the consumer services area, in response to Staff's request, RCC has recently committed to designate a contact to aid in resolving wireless customer complaints that may come in through the PUC. Staff will continue to work with the Consumer Services Division and OTAP to ensure that the CETCs continue to fulfill their responsibilities in these areas.

Each ETC needs to gather and report accurate data in order to receive the correct amount of universal service funding. Staff has some concerns in this area. Although USCC has worked with Staff during the last few weeks to meet its annual reporting obligations to the Commission, Staff believes that USCC still faces some challenges in gathering accurate line count data by wire center, as required by the universal service framework. In addition, it seems that USCC still needs to improve its understanding of the amount of support that it should receive from the federal USF, and its ability to reconcile the disbursements it actually receives from the federal fund administrator, USAC. The uncertainty



regarding the correct amount of funding has made forecasting of support amounts difficult. Staff will continue to work with USCC on these issues.

During review of the annual reports, Staff also discovered some errors in the wire center lists appended to the Commission's orders granting ETC designation to RCC and USCC. Appendix B of the designation order for each carrier lists the wire centers that comprise the ETC's designated service area. Some wire centers were included in RCC's Appendix B in error. In USCC's Appendix B, one wire center is missing that should be on the list. Staff will be requesting that errata orders be issued to correct the wire center listings. It is Staff's understanding that these errors have not affected the accuracy of either carrier's reports to USAC.

This year's new addition to the list of ETCs for annual certification is Edge Wireless. Although Edge just recently received its initial ETC designation in Order 05-965, released on August 29, 2005, it is included in this year's list for annual certification because the annual certification process begins anew each October 1. As a condition of its designation, Edge will begin filing annual reports during next year's annual certification process.

Next year's annual certification process may differ from this year's, depending upon the outcome of the investigation that will be held in the newly-opened docket UM 1217. In the investigation, annual certification requirements for both ILEC and competitive ETCs will be reviewed, and new requirements will be considered for future recertifications.<sup>6</sup>

For this year, however, based on the affidavits and the reporting information submitted by the CETCs, and because the continued receipt of federal USF high cost support is vital to maintaining reasonable basic service rates in the service areas of rural ILECs,<sup>7</sup> Staff recommends the Commission certify the eligibility of the rural ILECs and the CETCs listed in Exhibit A.

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<sup>6</sup> At its August 16, 2005, Public Meeting, the Commission approved Staff's request to open an investigation to establish requirements for initial designation and annual certification of carriers eligible to receive federal universal service support. The investigation is docketed as UM 1217.

<sup>7</sup> Oregon's rural ILECs will receive approximately \$58 million from federal USF high cost support programs in 2005. Federal USF high cost support programs are: high cost loop support; local switching support; long-term support; interstate access support; and interstate common line support.

B. Certification of Non-Rural ILEC Rates in Rural Service Areas

In October 2003 the FCC issued Order No. 03-249, which added Section 54.316 to the FCC rules.<sup>8</sup> This section requires state public utility commissions to certify that the basic service rates charged by non-rural ILECs in their rural service areas are reasonably comparable to urban rates nationwide. This determination is made by comparing the basic service rates charged by non-rural ILECs in their rural service areas to a national average benchmark for urban basic service rates as calculated by the FCC. For purposes of this comparison, the FCC has specified a "safe harbor" mechanism which allows non-rural basic service rates to be presumed reasonable if they are less than two standard deviations above the national average urban benchmark. For example, the FCC's most recently calculated national average rate for basic service in urban areas is \$24.31.<sup>9</sup> The rate two standard deviations above this benchmark is \$34.21. States with non-rural ILEC rates below \$34.21 in their rural service areas are presumed to have basic service rates reasonably comparable to those charged in urban areas. States with non-rural ILEC rates more than \$34.21 in rural areas must explain to the FCC why such rural and urban rate differentials are reasonable.

Failure to provide this annual certification to the FCC and USAC by October 1st of each year will prevent non-rural ETCs in Oregon from receiving federal forward-looking high cost fund support. Qwest Corporation (Qwest) and Verizon Northwest Inc. (Verizon) are the only two non-rural ILECs in the state of Oregon. However, as is the case with non-rural ILECs in 40 of the 50 states, neither Qwest nor Verizon receives federal USF forward-looking high cost fund support despite the fact that they both provide service in high cost rural areas. Hence the importance of the Oregon Universal Service Fund (OUSF), which was designed to achieve the comparability between rural and urban rates mandated by Section 254(b) of the Act.<sup>10</sup> Because no federal USF high cost fund support is available to Qwest and Verizon, the OUSF currently distributes approximately \$3.6 million

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<sup>8</sup> See In the Matter of Federal-State Joint Board on Universal Service, Order on Remand, FNPRM, and MO&O, CC Docket 96-45 (released Oct. 27, 2003).

<sup>9</sup> The FCC annually calculates this national average benchmark in a publication entitled, "Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service." The rates for this year are taken from Table 1.13 of the 2005 edition.

<sup>10</sup> The FCC's regulations concerning whether an ILEC is considered to be "rural" or "non-rural" are somewhat arcane. Basically, an ILEC is considered to be a rural company if it serves less than 100,000 access lines in a single study area. By default, Qwest and Verizon are the only non-rural ILECs in Oregon.

per month to subsidize the basic service rates of these carriers in their high cost rural service territories.

Although neither Qwest nor Verizon receive non-rural forward-looking high cost support in Oregon, submitting the required demonstration will help the FCC to insure that federal and state universal service funding mechanisms are sufficient to meet the objectives of Section 254(b) of the Act, which provides that consumers in rural, insular and high cost areas should have access to telecommunications services at rates that are "reasonably comparable" to rates charged for similar services in urban areas.

The rate comparison required by Section 54.316 of the FCC rules was submitted to the FCC for the first time last year. This year's comparison follows the same methodology, but with updated data for 2005.

Exhibit C to this report summarizes the basic service rates charged by Qwest and Verizon in each rural Oregon county where they provide service.<sup>11</sup> Exhibits D and E to this report provide a detail of the individual rate elements summarized in Exhibit C. Consistent with the methodology used by the FCC to calculate the national urban benchmark of \$24.31, the basic service rates calculated for Qwest and Verizon for this analysis include charges for the following: flat rate service, extended area service, federal Subscriber Line Charge, Oregon Residential Service Protection Fund surcharge, E911 surcharge, city and county franchises fees and/or miscellaneous taxes,<sup>12</sup> Oregon PUC fee assessment, Oregon Universal Service Fund surcharge, federal excise tax, and federal Universal Service Fund surcharge. Pursuant to section 54.316(d) of the FCC rules, the basic service rates are those for July 1, 2005.

As illustrated in Exhibit C, Qwest's basic service rates in rural Oregon counties range from \$24.09 to \$27.37 per month. Verizon's basic service rates in rural Oregon counties range from \$22.34 to \$28.35. All of these basic service rates are significantly below the safe harbor threshold of \$34.21 set by the FCC, and

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<sup>11</sup> The FCC requires state commissions to follow guidelines issued by the federal Office of Management and Budget (OMB) which publishes, and routinely updates, a list of metropolitan statistical areas in the United States. Pursuant to the OMB's methodology, any county which does not include a metropolitan statistical area is considered to be rural. Under this definition, only 10 of Oregon's 36 counties are considered to be non-rural.

<sup>12</sup> In order to avoid unnecessarily complex cost allocations, franchise fees and/or miscellaneous taxes charged municipalities in rural counties are assumed to apply throughout the entire county. That is, they are assumed to be charged to basic service customers even in areas outside municipal boundaries.

many are below the national average urban benchmark of \$24.31. Therefore, pursuant to Section 54.316 of the FCC rules, they are presumed reasonably comparable to urban basic service rates nationwide and the Commission is not required to provide any additional explanations or analysis to the FCC or USAC.

**PROPOSED COMMISSION MOTION:**

An order be prepared in Docket UM 873, certifying that:

1. The rural ILECs and CETCs listed in Exhibit A are authorized to receive federal universal service high cost support pursuant to 47 C.F.R. § 54.314; and
2. The basic service rates charged by Oregon's non-rural ILECs in their rural service areas are reasonably comparable to urban basic service rates nationwide pursuant to 47 C.F.R. § 54.316.

UM 873 Annual Certification.doc

**Exhibit A**  
**Eligible Telecommunications Carriers (Oregon Rural ILECs and CETCs)**  
**Certified to Receive Federal Universal Service Fund High Cost Support**

Company	USAC Study Area Code
1 Asotin Telephone Company	532404
2 Beaver Creek Cooperative Telephone Co.	532359
3 Canby Telephone Association	532362
4 Cascade Utilities, Inc.	532371
5 CenturyTel of Oregon, Inc.	532361
6 CenturyTel of Eastern Oregon, Inc.	532361
7 Citizens Telephone Co. of Oregon, Inc.	533401
8 Clear Creek Mutual Telephone Company	532363
9 Colton Telephone Company	532364
10 Eagle Telephone System, Inc.	532369
11 Gervais Telephone Co.	532373
12 Helix Telephone Company	532376
13 Home Telephone Company	532377
14 Malheur Home Telephone Company	532456
15 Midvale Telephone Exchange Inc.	532226
16 Molalla Communications Company	532383
17 Monitor Cooperative Telephone Company	532384
18 Monroe Telephone Company	532385
19 Mt. Angel Telephone Company	532386
20 Nehalem Telecommunications, Inc.	532387
21 North-State Telephone Company	532388
22 Oregon-Idaho Utilities, Inc.	532390
23 Oregon Telephone Corporation	532389
24 People's Telephone Company	532391
25 Pine Telephone System, Inc.	532392
26 Pioneer Telephone Cooperative	532393
27 Roome Telecommunications, Inc.	532375
28 Scio Mutual Telephone Association	532397
29 Stayton Cooperative Telephone Company	532399
30 United Telephone Co. of the Northwest	532400
31 St. Paul Cooperative Telephone Association	532396
32 Trans-Cascades Telephone Company	532378
33 RCC Minnesota Inc.	539001
34 United States Cellular Corporation	539002
35 Edge Wireless, LLC	539004

**Exhibit B**  
**AFFIDAVIT CERTIFYING USE OF**  
**UNIVERSAL SERVICE FUNDS**

I, \_\_\_\_\_, being of lawful age and duly sworn, on my oath, state that I am the \_\_\_\_\_ [an officer] of \_\_\_\_\_ ("Company") and that I am authorized to execute this Affidavit on behalf of the Company, and the facts set forth in this Affidavit are true to the best of my knowledge, information and belief. Pursuant to the rules of the Federal Communications Commission, 47 C.F.R. §54.314, there must be an annual certification that funds received under the federal Universal Service Fund programs will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended. The Company hereby certifies to the Public Utility Commission of Oregon that pursuant to 47 C.F.R. § 54.7, and for purposes of the certification required under 47 C.F.R. § 54.314, the Company will use all federal high-cost support provided to it only for the provision, maintenance and upgrading of facilities and services for which the support is intended, consistent with the principles of universal service set forth in 47 U.S.C. 254. This includes, but is not limited to, trying to meet the goal of the provision of services that are properly supported by the high-cost funds at rates that are reasonably comparable to rates charged for similar services in urban areas.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

\_\_\_\_\_ (Company)

By: \_\_\_\_\_ (Name)

Its: \_\_\_\_\_ (Title)

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_, 2005.

\_\_\_\_\_  
Notary Public in and for the State of Oregon

My Commission Expires: \_\_\_\_\_

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**Exhibit C**  
**Summary of Non-Rural ILEC Basic Service Rates in Rural Oregon Counties**

<b>Qwest Exchange</b>	<b>Rural County</b>	<b>Monthly Rate</b>	<b>Verizon Exchange</b>	<b>Rural County</b>	<b>Monthly Rate</b>
Baker City	Baker	\$ 24.09	Bandon	Coos	\$ 28.35
Sumpter	Baker	\$ 24.09	Coos Bay-N. Bend	Coos	\$ 24.74
Astoria	Clatsop	\$ 24.09	Coquille	Coos	\$ 28.35
Cannon Beach	Clatsop	\$ 25.21	Lakeside	Coos	\$ 28.35
Seaside	Clatsop	\$ 24.09	Myrtle Point	Coos	\$ 28.35
Warrenton	Clatsop	\$ 24.09	Powers	Coos	\$ 28.35
Westport	Clatsop	\$ 26.33	Brookings	Curry	\$ 22.34
Prineville	Crook	\$ 26.25	Gold Beach	Curry	\$ 22.34
Oakland-Sutherlin	Douglas	\$ 25.21	Langlois	Curry	\$ 23.64
Roseburg	Douglas	\$ 25.21	Port Orford	Curry	\$ 23.64
Camp Sherman	Jefferson	\$ 27.37	Reedsport	Douglas	\$ 23.26
Culver	Jefferson	\$ 26.25	Murphy-Provolt	Josephine	\$ 28.08
Madras	Jefferson	\$ 26.25	Mill City	Linn	\$ 28.08
Grants Pass	Josephine	\$ 24.09	Cove	Union	\$ 24.74
Klamath Falls	Klamath	\$ 25.21	Elgin	Union	\$ 24.74
Newport	Lincoln	\$ 24.25	Imbler	Union	\$ 24.74
Siletz	Lincoln	\$ 26.84	La Grande	Union	\$ 23.69
Toledo	Lincoln	\$ 25.21	Union	Union	\$ 24.74
Albany	Linn	\$ 25.28	Enterprise	Wallowa	\$ 23.64
Harrisburg	Linn	\$ 26.25	Joseph	Wallowa	\$ 23.64
Athena-Weston	Umatilla	\$ 26.33	Lostine	Wallowa	\$ 23.64
Hermiston	Umatilla	\$ 24.09	Wallowa	Wallowa	\$ 23.64
Milton Freewater	Umatilla	\$ 25.21			
Pendleton	Umatilla	\$ 24.09			
Stanfield	Umatilla	\$ 25.21			
Umatilla	Umatilla	\$ 25.21			
Walla Walla	Umatilla	\$ 25.21			

**Exhibit D**  
**Detail of Qwest Basic Service Rates in Rural Oregon Counties**

Qwest Exchange	Rural County	Rate Grp.	EAS Band	Base Rate	EAS Chrg.	Fed SLC	Fed LNP	OR RSPF	OR E911	Franchise Fees & M. Taxes	PUC Fee	OUSF @ 6%	Fed Excise Tax @ 3%	Fed USF @ 10.2%	Total
Baker City	Baker	1	A	12.80	1.28	6.50	0.00	0.10	0.75	0.42	0.12	0.84	0.62	0.66	24.09
Sumpter	Baker	1	A	12.80	1.28	6.50	0.00	0.10	0.75	0.42	0.12	0.84	0.62	0.66	24.09
Astoria	Clatsop	1	A	12.80	1.28	6.50	0.00	0.10	0.75	0.42	0.12	0.84	0.62	0.66	24.09
Cannon Beach	Clatsop	2	A	13.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21
Seaside	Clatsop	1	A	12.80	1.28	6.50	0.00	0.10	0.75	0.42	0.12	0.84	0.62	0.66	24.09
Warrenton	Clatsop	1	A	12.80	1.28	6.50	0.00	0.10	0.75	0.42	0.12	0.84	0.62	0.66	24.09
Westport	Clatsop	3	A	14.80	1.28	6.50	0.00	0.10	0.75	0.48	0.12	0.96	0.68	0.66	26.33
Prineville	Crook	2	B	13.80	2.20	6.50	0.00	0.10	0.75	0.48	0.12	0.96	0.68	0.66	26.25
Oakland-Sutherlin	Douglas	2	A	13.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21
Roseburg	Douglas	2	A	13.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21
Camp Sherman	Jefferson	3	B	14.80	2.20	6.50	0.00	0.10	0.75	0.51	0.12	1.02	0.71	0.66	27.37
Culver	Jefferson	2	B	13.80	2.20	6.50	0.00	0.10	0.75	0.48	0.12	0.96	0.68	0.66	26.25
Madras	Jefferson	2	B	13.80	2.20	6.50	0.00	0.10	0.75	0.48	0.12	0.96	0.68	0.66	26.25
Grants Pass	Josephine	1	B	12.80	1.28	6.50	0.00	0.10	0.75	0.42	0.12	0.84	0.62	0.66	24.09
Klamath Falls	Klamath	1	A	12.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21
Newport	Lincoln	1	A	12.80	1.42	6.50	0.00	0.10	0.75	0.43	0.12	0.85	0.62	0.66	24.25
Siletz	Lincoln	3	A	14.80	1.73	6.50	0.00	0.10	0.75	0.50	0.12	0.99	0.69	0.66	26.84
Toledo	Lincoln	2	A	13.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21
Albany	Linn	1	B	12.80	2.34	6.50	0.00	0.10	0.75	0.45	0.12	0.91	0.65	0.66	25.28
Harrisburg	Linn	2	B	13.80	2.20	6.50	0.00	0.10	0.75	0.48	0.12	0.96	0.68	0.66	26.25
Athena-Weston	Umatilla	3	A	14.80	1.28	6.50	0.00	0.10	0.75	0.48	0.12	0.96	0.68	0.66	26.33
Hermiston	Umatilla	1	A	12.80	1.28	6.50	0.00	0.10	0.75	0.42	0.12	0.84	0.62	0.66	24.09
Milton Freewater	Umatilla	2	A	13.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21
Pendleton	Umatilla	1	A	12.80	1.28	6.50	0.00	0.10	0.75	0.42	0.12	0.84	0.62	0.66	24.09
Stanfield	Umatilla	2	A	13.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21
Umatilla	Umatilla	2	A	13.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21
Walla Walla	Umatilla	2	A	13.80	1.28	6.50	0.00	0.10	0.75	0.45	0.12	0.90	0.65	0.66	25.21



**Exhibit E**  
**Detail of Verizon Rates in Rural Oregon Counties**

Verizon Exchange	Rural County	EAS Band	Base Rate	EAS Chrg.	Fed SLC	Fed LNP	OR RSPF	OR E911	Franchise Fees & M. Taxes	PUC Fee	OUSF @ 6%	Fed Excise Tax @ 3%	Fed USF @ 10.2%	Total
Bandon	Coos	III	12.59	5.50	6.50	0.00	0.10	0.75	0.38	0.04	1.09	0.74	0.66	28.35
Coos Bay-N. Bend	Coos	II	12.59	2.19	6.50	0.00	0.10	0.75	0.38	0.04	0.89	0.64	0.66	24.74
Coquille	Coos	III	12.59	5.50	6.50	0.00	0.10	0.75	0.38	0.04	1.09	0.74	0.66	28.35
Lakeside	Coos	III	12.59	5.50	6.50	0.00	0.10	0.75	0.38	0.04	1.09	0.74	0.66	28.35
Myrtle Point	Coos	III	12.59	5.50	6.50	0.00	0.10	0.75	0.38	0.04	1.09	0.74	0.66	28.35
Powers	Coos	III	12.59	5.50	6.50	0.00	0.10	0.75	0.38	0.04	1.09	0.74	0.66	28.35
Brookings	Curry	N/A	12.59	0.00	6.50	0.00	0.10	0.75	0.38	0.03	0.76	0.57	0.66	22.34
Gold Beach	Curry	N/A	12.59	0.00	6.50	0.00	0.10	0.75	0.38	0.03	0.76	0.57	0.66	22.34
Langlois	Curry	I	12.59	1.19	6.50	0.00	0.10	0.75	0.38	0.03	0.83	0.61	0.66	23.64
Port Orford	Curry	I	12.59	1.19	6.50	0.00	0.10	0.75	0.38	0.03	0.83	0.61	0.66	23.64
Reedsport	Douglas	I	12.59	1.19	6.50	0.00	0.10	0.75	0.00	0.03	0.83	0.61	0.66	23.26
Murphy-Provolt	Josephine	III	12.59	5.60	6.50	0.00	0.10	0.75	0.00	0.04	1.09	0.74	0.66	28.08
Mill City	Linn	IV	12.59	5.60	6.50	0.00	0.10	0.75	0.00	0.04	1.09	0.74	0.66	28.08
Cove	Union	II	12.59	2.19	6.50	0.00	0.10	0.75	0.38	0.04	0.89	0.64	0.66	24.74
Elgin	Union	II	12.59	2.19	6.50	0.00	0.10	0.75	0.38	0.04	0.89	0.64	0.66	24.74
Imbler	Union	II	12.59	2.19	6.50	0.00	0.10	0.75	0.38	0.04	0.89	0.64	0.66	24.74
La Grande	Union	I	12.59	1.24	6.50	0.00	0.10	0.75	0.38	0.03	0.83	0.61	0.66	23.69
Union	Union	II	12.59	2.19	6.50	0.00	0.10	0.75	0.38	0.04	0.89	0.64	0.66	24.74
Enterprise	Wallowa	I	12.59	1.19	6.50	0.00	0.10	0.75	0.38	0.03	0.83	0.61	0.66	23.64
Joseph	Wallowa	I	12.59	1.19	6.50	0.00	0.10	0.75	0.38	0.03	0.83	0.61	0.66	23.64
Lostine	Wallowa	I	12.59	1.19	6.50	0.00	0.10	0.75	0.38	0.03	0.83	0.61	0.66	23.64
Wallowa	Wallowa	I	12.59	1.19	6.50	0.00	0.10	0.75	0.38	0.03	0.83	0.61	0.66	23.64